



TESTIMONY OF THE  
CONNECTICUT CONFERENCE OF MUNICIPALITIES  
TO THE  
LABOR AND PUBLIC EMPLOYEES COMMITTEE  
March 8, 2007

**RB 7320, "AAC Municipal Employee Health Insurance and Property Tax Relief."**

The Connecticut Conference of Municipalities appreciates the opportunity to speak before you on this intriguing proposal to relieve municipalities of the heavy cost burden of providing health benefits for town and city employees.

Municipal Health Care Costs: Why Relief is Needed

*Municipalities presently spend between 8% and 15% of their local budgets on health care for their employees.* For the past few years, *annual increases in premiums have typically ranged between 9% and 15%.* Municipalities and their property taxpayers are struggling with these high costs.

A survey of 51 municipal governments and board of education contracts conducted by Ovation Benefits in 2004-05<sup>1</sup> found that **"the average cost increase for FY 2005 was 13.5%, with 37% of survey participants experiencing an increase of 15% or more...for FY 2006 the average increase anticipated was 15.1%..."**

**Healthcare costs are around 10-12% of all operating costs for K-12 public education.** This dovetails with SDE's statewide figures, which peg employee benefits at 16.6% of all operating costs. (The 16.6% figure would include health insurance, dental, life, retiree healthcare costs and other non-TRF benefits).

Clearly, relief from health care costs would translate into important property tax relief.

RB 7320

RB 7320 would create a new "Connecticut Insurance Pool" which would include all municipal employees who work at least half time. Municipalities would be mandated to participate and the new Pool would provide "the same coverage provided to state employees" by statute and collective bargaining agreements.

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<sup>1</sup> *Connecticut Public Sector Healthcare Cost and Benefit Survey; 2004-2005 Inaugural Edition*, Ovation Benefits Group, Farmington, CT.

Municipalities would be billed for their proportional share of the costs of coverage for the new pool, plus administration. Importantly, the bill would require that the State subsidize 33.3% of the costs to municipalities of participation. Municipalities would be required to reduce their mill rates by the amount of the subsidy.

The provision for state subsidy would provide instant property tax relief, and it would come on top of any savings accruing to municipalities from participation in the new Pool. ***CCM supports these provisions*** and urges you to maintain them.

CCM has concerns, however, about certain aspects of the proposal:

- Section 2(b) would provide that labor and management could negotiate benefits on top of this new plan. ***CCM opposes this provision*** – it could effectively negate much of the savings to municipalities from participation, because labor representatives could (a) argue that the municipality now has a greater ‘ability to pay’, and (b) put (health-care related) items on the table despite having been provided excellent state benefits. We urge you to delete this provision.
- The bill would require a direct reduction of property taxes in the same amount of the state subsidy. ***Local officials do not oppose mandatory reductions in property tax rates in return for large and significant increases in state aid*** – however, because the cost of local government rises each year it may not make sense to require a dollar-for-dollar reduction as envisioned in RB 7320. Municipalities should not be prohibited from using at least part of the savings to pay for ongoing, expanded, or new services to residents and businesses

We ask to work with you on this aspect of the bill to create a mechanism which will deliver direct property tax relief to residents and businesses but not hamstringing local governments so they cannot meet other pressing needs.

- While RB 7320 would establish a “municipal health care cost containment committee” to handle bids for coverage, it does not grant a role to local government representatives (or, for that matter, local-only labor unions) in negotiating levels of coverage, yet the majority of the costs of that coverage would be borne by local governments. It should grant such a role.

Despite these flaws, RB 7320 is an innovative approach that holds out real possibilities for property tax relief. It strikes at a nagging and ever-increasing cost problem for local governments.

CCM and local officials look forward to working with the Committee on this bill, to fashion a proposal that meets the needs of property taxpayers as well as offers benefits to the employees that deliver services, every day, to residents and businesses in a community.

Thank you.

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